

## Brazil Central Bank Sees Slower 2022 Inflation, More Price Falls

- Policy makers raised rates to 13.75% earlier in August
- Prices expected to fall for three straight months on tax cuts

By Maria Eloisa Capurro

(Bloomberg) --

Brazil central bank President Roberto Campos Neto expects consumer prices to fall for three consecutive months through September and close the year with a smaller increase than most economists forecast.

“Inflation this year will be around 6.5%, perhaps a bit lower,” he said Tuesday at an event organized by Moneda Asset Management in Santiago de Chile.

Brazil posted in July its biggest monthly drop in consumer prices in over four decades, as President Jair Bolsonaro pushed for tax cuts to lower fuel prices that were eroding his popularity ahead of October’s election. Economists surveyed by the central bank estimate inflation at 6.82% this year and 5.33% in 2023.

While prices regulated by the government are providing some inflation relief, services costs are still going higher, according to Campos Neto.

“There’s still a very hard job to do,” he added, to bring inflation near the bank’s targets of 3.5% and 3.25% for this year and next, respectively.

Roberto Campos Neto, president of the Central Bank of Brazil

Latin America’s largest economy has been walloped by food and fuel shocks that have kept inflation above 10% since September. Brazil was among the first countries in the region to lift rates in the wake of the pandemic, and has added a total of 11.75 percentage points to borrowing costs since March 2021.

Recent fiscal measures focused on gasoline prices provided short-term relief for inflation. In their latest rate decision, policy makers said they will “evaluate” the need for an additional, 25 basis-point lift in September.

“The market is telling us that most of the job is done,” Campos Neto said.

Read More: [Brazil Prices Tumble Most Since 1980 on Bolsonaro’s Tax Cuts](#)

Amid persistent and global inflationary shocks, most Latin American central bankers are still unable to bring consumer prices increases closer to their goals. Still, most analysts expect inflation will decelerate back to single digits by December.

The market is pricing “lower inflation around the corner,” Campos Neto said. “But what if that is not true? We need to wait and see if that’s actually true,” he added, warning about high core measures and possible structural changes to inflation.

After the pandemic, “the process of inflation convergence is not the same, it’s not only a reversal of energy prices,” he said.

Read More: Latin America Led World Into High-Rate Era. Now It’s Stuck There

Trailing in the polls ahead of October’s election, President Jair Bolsonaro got the green light for a multibillion dollar social spending program including an increase in paychecks for the poor. That stimulus, along with a firmer labor market, is helping to boost domestic demand and keep prices high.

This year “we’ll have higher growth and lower inflation” than initially expected, Campos Neto said. He also expects lower unemployment numbers and continued improvements on the government’s fiscal results.

--With assistance from Isadora Calumby.

To contact the reporter on this story:

Maria Eloisa Capurro in Brasilia at [ecapurro1@bloomberg.net](mailto:ecapurro1@bloomberg.net)

To contact the editors responsible for this story:

Walter Brandimarte at [wbrandimarte@bloomberg.net](mailto:wbrandimarte@bloomberg.net)

Matthew Malinowski